

GREGG COUNTY, TEXAS

**Schedule of Passenger Facility Charges
Collected and Expended for the
Year Ended September 30, 2018 and
Independent Auditors' Reports**

GREGG COUNTY, TEXAS

TABLE OF CONTENTS

	<u>Page Number</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	1 – 2
Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control over Compliance in Accordance with Requirements Issued by the Federal Aviation Administration	3 – 4
Schedule of Passenger Facility Charges Collected and Expended	5
Note to Schedule of Passenger Facility Charges Collected and Expended.....	6 – 7
Schedule of Findings and Questioned Costs.....	8
Schedule of Prior Year Findings and Questioned Costs.....	9

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable County Judge and
Commissioners' Court
Gregg County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Gregg County, Texas (the "County"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 29, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 29, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH REQUIREMENTS ISSUED BY
THE FEDERAL AVIATION ADMINISTRATION**

To the Honorable County Judge and
Commissioners' Court
Gregg County, Texas

Report on Compliance for Passenger Facility Charges

We have audited the compliance of Gregg County, Texas (the "County") with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the "Guide"), for its passenger facility charge program for the year ended September 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to the passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County's passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the type of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the County's passenger facility charge program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Passenger Facility Charges

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program for the year ended September 30, 2018.

Internal Control over Compliance

Management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on its passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of the passenger facility charge program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Passenger Facility Charges Collected and Expended

We have audited the financial statements of the County as of and for the year ended September 30, 2018, and have issued our report thereon dated March 29, 2019. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Passenger Facility Charges Collected and Expended is presented for purposes of additional analysis as specified by the Guide and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Passenger Facility Charges Collected and Expended is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Commissioners' Court, management and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas

July 3, 2019, expect for our opinion on the Passenger Facility Charges Collected and Expended, for which the date is March 29, 2019

GREGG COUNTY, TEXAS

Schedule of Passenger Facility Charges Collected and Expended

Fiscal Year Ended September 30, 2018

	Fiscal Year 2017 Program Total	Quarter 1 October - December	Quarter 2 January - March	Quarter 3 April - June	Quarter 4 July - September	Fiscal Year 2018 Total	Fiscal Year 2018 Program Total
Revenue:							
Passenger facility collections	\$ 1,543,850	19,588	18,477	22,213	30,153	90,431	\$ 1,634,281
Interest	30,677	-	-	-	-	-	30,677
	<u>1,574,527</u>	<u>19,588</u>	<u>18,477</u>	<u>22,213</u>	<u>30,153</u>	<u>90,431</u>	<u>1,664,958</u>
Disbursements:							
<u>Application 96-01-C-00-GGG:</u>							
1000 gallon ARFF Vehicle	29,054	-	-	-	-	-	29,054
Drainage improvements to taxiways H and M	10,007	-	-	-	-	-	10,007
Guidance signs improvements	18,081	-	-	-	-	-	18,081
Install security fencing	5,390	-	-	-	-	-	5,390
Master plan	17,693	-	-	-	-	-	17,693
Overlay runway 13/31 and taxiway	158,412	-	-	-	-	-	158,412
Reconstruct taxiway L	15,241	-	-	-	-	-	15,241
Runway 17/35 rehabilitation	115,512	-	-	-	-	-	115,512
Terminal apron improvements - unit 2	35,465	-	-	-	-	-	35,465
Terminal apron improvements - unit 3	67,716	-	-	-	-	-	67,716
	<u>472,571</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>472,571</u>
<u>Application 02-02-C-01-GGG:</u>							
Administrative expenses	9,800	-	-	-	-	-	9,800
Construct taxiway M & associated development	36,542	-	-	-	-	-	36,542
Convert runway 4-22 to Taxiway	330,853	-	-	-	-	-	330,853
Electrical improvements	29,811	-	-	-	-	-	29,811
Reconstruct terminal apron, Phase IV	104,667	-	-	-	-	-	104,667
Reconstruct terminal apron, Phase V	65,850	-	-	-	-	-	65,850
Renovate aircraft rescue and firefighting station, Phase 1	24,657	-	-	-	-	-	24,657
Renovate aircraft rescue and firefighting station, Phase 2	24,612	-	-	-	-	-	24,612
Runway safety area improvements	71,102	-	-	-	-	-	71,102
Pavement study	1,338	-	-	-	-	-	1,338
	<u>699,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>699,232</u>
<u>Application 12-03-C-00-GGG:</u>							
Security fencing	140,561	-	-	-	-	-	140,561
Planning studies	16,315	-	-	-	-	-	16,315
ARFF truck	31,776	-	-	-	-	-	31,776
Acquire equipment	10,000	-	-	-	-	-	10,000
Rehabilitate taxiways (Twy B, C, D, G, L, M)	204,072	19,588	18,477	22,213	30,153	90,431	294,503
	<u>402,724</u>	<u>19,588</u>	<u>18,477</u>	<u>22,213</u>	<u>30,153</u>	<u>90,431</u>	<u>493,155</u>
Total Disbursements	<u>1,574,527</u>	<u>19,588</u>	<u>18,477</u>	<u>22,213</u>	<u>30,153</u>	<u>90,431</u>	<u>1,664,958</u>
Excess (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this schedule.

GREGG COUNTY, TEXAS

Notes to Schedule of Passenger Facility Charges Collected and Expended

Year Ended September 30, 2018

Basis of Presentation

The accompanying Schedule of Passenger Facility Charges Collected and Expended includes the Passenger Facility Charge (PFC) activity of Gregg County, Texas, (the "County"). The information in this schedule is presented in accordance with the requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the County's financial statements.

The County reports expenditures on the Schedule of Passenger Facility Charges Collected and Expended as reimbursements (to the extent of PFC's actually collected) of costs incurred by the County during the current and prior fiscal years. The schedule below presents cumulative data for PFC eligible costs incurred and PFC collections through September 30, 2018.

Project Description	Total Amount Approved	Cumulative Eligible Costs through September 30, 2018	Cumulative PFC Collections through September 30, 2018	Eligible Costs Not Reimbursed through September 30, 2018
Application #1: 96-01-C-00-GGG:				
Airfield Safety Improvements:				
Terminal apron improvements - unit 2	\$ 35,465	\$ 35,465	\$ 35,465	\$ -
Overlay runway 13/31 and taxiway/miscellaneous	189,050	189,050	189,050	-
Master plan	17,693	17,693	17,693	-
Guidance signs improvements	18,081	18,081	18,081	-
Terminal apron improvements - unit 3	67,716	67,716	67,716	-
Runway 17/35 rehabilitation	115,512	115,512	115,512	-
1000 gallon ARFF Vehicle	<u>29,054</u>	<u>29,054</u>	<u>29,054</u>	<u>-</u>
Totals for Application #1	<u>\$ 472,571</u>	<u>\$ 472,571</u>	<u>\$ 472,571</u>	<u>\$ -</u>

GREGG COUNTY, TEXAS

**Notes to Schedule of Passenger Facility
Charges Collected and Expended
(Continued)
Year Ended September 30, 2018**

<u>Project Description</u>	<u>Total Amount Approved</u>	<u>Cumulative Eligible Costs through September 30, 2018</u>	<u>Cumulative PFC Collections through September 30, 2018</u>	<u>Eligible Costs Not Reimbursed through September 30, 2018</u>
<u>Application #2: 02-02-C-01-GGG:</u>				
Renovate aircraft rescue and firefighting station, Phase 1	\$ 24,657	\$ 24,657	\$ 24,657	\$ -
Reconstruct terminal apron, Phase IV	104,667	104,667	104,667	-
Renovate aircraft rescue and firefighting station, Phase 2	24,612	24,612	24,612	-
Reconstruct terminal apron, Phase V	65,850	65,850	65,850	-
Runway safety area improvements	71,102	71,102	71,102	-
Construct taxiway M & associated development	36,542	36,542	36,542	-
Electrical improvements	29,811	29,811	29,811	-
Pavement study	1,338	1,338	1,338	-
Convert Runway 4-22 to Taxiway	330,853	330,853	330,853	-
Administrative expenses	<u>9,800</u>	<u>9,800</u>	<u>9,800</u>	<u>-</u>
Totals for Application #2	<u>\$ 699,232</u>	<u>\$ 699,232</u>	<u>\$ 699,232</u>	<u>\$ -</u>

<u>Project Description</u>	<u>Total Amount Approved</u>	<u>Cumulative Eligible Costs through September 30, 2018</u>	<u>Cumulative PFC Collections through September 30, 2018</u>	<u>Eligible Costs Not Reimbursed through September 30, 2018</u>
<u>Application #3: 12-03-C-00-GGG:</u>				
Security fencing	\$ 140,561	\$ 140,561	\$ 140,561	\$ -
Planning studies	16,315	16,315	16,315	-
ARFF truck	31,776	31,776	31,776	-
Acquire equipment	10,000	10,000	10,000	-
Rehabilitate taxiways (Twy B, C, D, G, L, M)	388,770	294,503	294,503	94,267
Rehabilitate runway 18/36	204,487	-	-	204,487
Rehabilitate runway 13/31	66,868	-	-	66,868
Runway 13/31 safety area improvements	270,645	-	-	270,645
Acquire snow removal equipment	9,118	-	-	9,118
PFC application & administration	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
Totals for Application #3	<u>\$ 1,178,540</u>	<u>\$ 493,155</u>	<u>\$ 493,155</u>	<u>\$ 685,385</u>

GREGG COUNTY, TEXAS

Schedule of Findings and Questioned Costs

Fiscal Year Ended September 30, 2018

Summary of Auditors' Results

1. Type of report issued on PFC financial statements	<u>✓</u>	Unmodified	_____	Qualified
2. Type of report on PFC compliance	<u>✓</u>	Unmodified	_____	Qualified
3. Quarterly revenue and disbursements reconcile with submitted quarterly reports.	<u>✓</u>	Yes	_____	No
4. PFC revenue and interest is accurately reported using the System of Airport Reporting (SOAR) Database.	<u>✓</u>	Yes	_____	No
5. The County maintains a separate financial accounting record for each application.	<u>✓</u>	Yes	_____	No
6. Funds disbursed were for PFC eligible items as identified in the FAA Decision to pay only for the allowable costs of the projects.	<u>✓</u>	Yes	_____	No
7. Monthly carrier receipts were reconciled with quarterly carrier reports.	<u>✓</u>	Yes	_____	No
8. PFC revenues were maintained in a separate interest-bearing capital account or commingled only with other interest-bearing airport capital funds.	<u>✓</u>	Yes	_____	No
9. Serving carriers were notified of PFC program actions/changes approved by the FAA.	<u>✓</u>	Yes	_____	No
10. Quarterly reports were transmitted (or available via website) to remitting carriers.	<u>✓</u>	Yes	_____	No
11. The County is in compliance with Assurances 5, 6, 7 and 8.	<u>✓</u>	Yes	_____	No
12. Project administration is carried out in accordance with Assurance 10.	<u>✓</u>	Yes	_____	No
13. For those public agencies with excess revenue, a plan for the use of this revenue has been submitted to the FAA for review and concurrence.	<u>N/A</u>	Yes	_____	No

Findings Required to be Reported by the Guide

None

GREGG COUNTY, TEXAS

Schedule of Prior Year Findings and Questioned Costs

Fiscal Year Ended September 30, 2018

There were no findings in the prior year.